

REFERENCE TITLE: higher education; budget reconciliation; 2016-2017

State of Arizona
Senate
Fifty-second Legislature
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2016

SB 1537

Introduced by
Senators Biggs, Yarbrough (with permission of Committee on Rules)

AN ACT

AMENDING SECTIONS 15-1626, 15-1670 AND 35-146, ARIZONA REVISED STATUTES;
RELATING TO BUDGET RECONCILIATION FOR HIGHER EDUCATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-1626, Arizona Revised Statutes, is amended to
3 read:

4 15-1626. General administrative powers and duties of board:
5 definition

6 A. The board shall:

7 1. Have and exercise the powers necessary for the effective governance
8 and administration of the institutions under its control. To that end, the
9 board may adopt, and authorize each university to adopt, such regulations,
10 policies, rules or measures as are deemed necessary and may delegate in
11 writing to its committees, to its university presidents, or their designees,
12 or to other entities under its control, ~~any~~ any part of its authority for the
13 administration and governance of such institutions, including those powers
14 enumerated in section 15-1625, subsection B, paragraphs 2 and 4, paragraphs
15 3, 4, 8, 9, 11 and 12 of this subsection and subsection B of this section.
16 Any delegation of authority may be rescinded by the board at any time in
17 whole or in part.

18 2. Appoint and employ and determine the compensation of presidents
19 with such power and authority and for such purposes in connection with the
20 operation of the institutions as the board deems necessary.

21 3. Appoint and employ and determine the compensation of
22 vice-presidents, deans, professors, instructors, lecturers, fellows and such
23 other officers and employees with such power and authority and for such
24 purposes in connection with the operation of the institutions as the board
25 deems necessary, or delegate its authority pursuant to paragraph 1 of this
26 subsection.

27 4. Remove any officer or employee when the interests of education in
28 this state so require in accordance with its personnel rules and policies.

29 5. Fix tuitions and fees to be charged and differentiate the tuitions
30 and fees between institutions and between residents, nonresidents,
31 undergraduate students, graduate students, students from foreign countries
32 and students who have earned credit hours in excess of the credit hour
33 threshold. For the purposes of this paragraph, the undergraduate credit hour
34 threshold is one hundred forty-five hours for students who attend a
35 university under the jurisdiction of the board. The undergraduate credit
36 hour threshold shall be based on the actual full-time equivalent student
37 enrollment counted on the forty-fifth day of every fall and spring semester,
38 divided by two, and any budget adjustment based on student enrollment shall
39 occur in the fiscal year following the actual full-time equivalent student
40 enrollment count. The undergraduate credit hour threshold shall not apply to
41 degree programs that require credit hours above the credit hour threshold,
42 credits earned in the pursuit of up to two baccalaureate degrees, credits
43 earned in the pursuit of up to two state regulated licensures or
44 certificates, credits earned in the pursuit of teaching certification,
45 credits transferred from a private institution of higher education, credits

1 transferred from an institution of higher education in another state, credits
2 earned at another institution of higher education but that are not accepted
3 as transfer credits at the university where the student is currently enrolled
4 and credits earned by students who enroll at a university under the
5 jurisdiction of the board more than twenty-four months after the end of that
6 student's previous enrollment at a public institution of higher education in
7 this state. On or before October 15 of each year, the board shall report to
8 the joint legislative budget committee the number of in-state students and
9 out-of-state students who were enrolled at universities under the
10 jurisdiction of the board during the previous fiscal year who met or exceeded
11 the undergraduate credit hour threshold prescribed in this paragraph. The
12 amount of tuition, ~~registration AND fees and other revenues~~ included in the
13 operating budget for the university adopted by the board as prescribed in
14 paragraph 13 of this subsection shall be **SUBJECT TO LEGISLATIVE APPROPRIATION**
15 **AND deposited, pursuant to sections 35-146 and 35-147 IN A SEPARATE TUITION**
16 **AND FEES SUBACCOUNT FOR EACH UNIVERSITY.** All other tuition and fee revenue
17 shall be retained by each university for expenditure as approved by the
18 board, ~~except that IN A SEPARATE LOCAL TUITION AND FEES SUBACCOUNT FOR EACH~~
19 **UNIVERSITY. THIS SUBACCOUNT SHALL CONSIST OF ONLY TUITION AND FEES.** The
20 universities shall not use any tuition or fee revenue to fund or support an
21 alumni association.

22 6. Except as provided in subsection I of this section, adopt rules to
23 govern its tuition and fee setting process that provide for the following:

24 (a) At least one public hearing at each university as an opportunity
25 for students and members of the public to comment on any proposed increase in
26 tuition or fees.

27 (b) Publication of the notice of public hearing at least ten days
28 prior to the hearing in a newspaper of general circulation in Maricopa
29 county, Coconino county and Pima county. The notice shall include the date,
30 time and location of the public hearing.

31 (c) Public disclosure by each university of any proposed increases in
32 tuition or fees at least ten days prior to the public hearing.

33 (d) **A ROLL CALL VOTE OF ANY** final board action on changes in tuition
34 or fees ~~shall be taken by roll call vote.~~

35 The procedural requirements of subdivisions (a), (b), (c) and (d) of this
36 paragraph apply only to those changes in tuition or fees that require board
37 approval.

38 7. Pursuant to section 35-115, submit a budget request for each
39 institution under its jurisdiction that includes the estimated tuition and
40 fee revenue available to support the programs of the institution as described
41 in the budget request. The estimated available tuition and fee revenue shall
42 be based on the tuition and registration fee rates in effect at the time the
43 budget request is submitted with adjustments for projected changes in
44 enrollment as provided by the board.

1 8. Establish ~~curriculums~~ CURRICULA and designate courses at the
2 several institutions that in its judgment will best serve the interests of
3 this state.

4 9. Award such degrees and diplomas on the completion of such courses
5 and curriculum requirements as it deems appropriate.

6 10. Prescribe qualifications for admission of all students to the
7 universities. The board shall establish policies for guaranteed admission
8 that ~~assure~~ ENSURE fair and equitable access to students in this state from
9 public, private and charter schools and homeschools. For the purpose of
10 determining the qualifications of honorably discharged veterans, veterans are
11 those persons who served in the armed forces for a minimum of two years and
12 who were previously enrolled at a university or community college in this
13 state. No prior failing grades received by the veteran at the university or
14 community college in this state may be considered.

15 11. Adopt any energy conservation standards promulgated by the
16 department of administration for the construction of new buildings.

17 12. Employ for such time and purposes as the board requires attorneys
18 whose compensation shall be fixed and paid by the board. Litigation to which
19 the board is a party and for which self-insurance is not provided may be
20 compromised or settled at the direction of the board.

21 13. Adopt annually an operating budget for each university equal to the
22 sum of appropriated general fund monies and the amount of tuition,
23 ~~registration~~ AND fees ~~and other revenues~~ approved by the board and allocated
24 to each university operating budget.

25 14. In consultation with the state board of education and other
26 education groups, develop and implement a program to award honors
27 endorsements to be affixed to the high school diplomas of qualifying high
28 school pupils and to be included in the transcripts of pupils who are awarded
29 endorsements. The board shall develop application procedures and testing
30 criteria and adopt testing instruments and procedures to administer the
31 program. In order to receive an honors endorsement, a pupil must demonstrate
32 an extraordinary level of knowledge, skill and competency as measured by the
33 testing instruments adopted by the board in mathematics, English, science and
34 social studies. Additional subjects may be added at the determination of the
35 board. The program is voluntary for pupils.

36 15. Require the publisher of each literary and nonliterary textbook
37 used in the universities of this state to furnish computer software in a
38 standardized format when software becomes available for nonliterary textbooks
39 to the Arizona board of regents from which braille versions of the textbooks
40 may be produced.

41 16. Require universities that provide a degree in education to require
42 courses that are necessary to obtain a provisional structured English
43 immersion endorsement as prescribed by the state board of education.

44 17. Acquire United States flags for each classroom that are
45 manufactured in the United States and that are at least two feet by three

1 feet and hardware to appropriately display the United States flags, acquire a
2 legible copy of the Constitution of the United States and the Bill of Rights,
3 display the flags in each classroom in accordance with title 4 of the United
4 States Code and display a legible copy of the Constitution of the United
5 States and the Bill of Rights adjacent to the flag.

6 18. To facilitate the transfer of military personnel and their
7 dependents to and from the public schools of this state, pursue, in
8 cooperation with the state board of education, reciprocity agreements with
9 other states concerning the transfer credits for military personnel and their
10 dependents. A reciprocity agreement entered into pursuant to this paragraph
11 shall:

12 (a) Address procedures for each of the following:

13 (i) The transfer of student records.

14 (ii) Awarding credit for completed ~~course-work~~ COURSEWORK.

15 (iii) Permitting a student to satisfy the graduation requirements
16 prescribed in section 15-701.01 through the successful performance on
17 comparable exit-level assessment instruments administered in another state.

18 (b) Include appropriate criteria developed by the state board of
19 education and the Arizona board of regents.

20 19. Require a university to publicly post notices of all of its
21 employment openings, including the title and description, instructions for
22 applying and relevant contact information.

23 20. In consultation with the community college districts in this state,
24 develop and implement common equivalencies for specific levels of achievement
25 on advanced placement examinations and international baccalaureate
26 examinations in order to award commensurate postsecondary academic credits at
27 community colleges and public universities in this state.

28 21. On or before August 1 of each year, report to the joint legislative
29 budget committee the graduation rate by university campus during the previous
30 fiscal year. The board shall also report the retention rate by university
31 campus and by class, as determined by date of entry during the previous
32 fiscal year.

33 B. The board shall adopt personnel policies for all employees of the
34 board and the universities.

35 C. In conjunction with the auditor general, the board shall develop a
36 uniform accounting and reporting system, which shall be reviewed by the joint
37 legislative budget committee before final adoption by the board. The board
38 shall require each university to comply with the uniform accounting and
39 reporting system.

40 D. The board may employ legal assistance in procuring loans for the
41 institutions from the United States government. Fees or compensation paid
42 for such legal assistance shall not be a claim on the general fund of this
43 state but shall be paid from funds of the institutions.

1 E. The board shall approve or disapprove any contract or agreement
2 entered into by the university of Arizona hospital with the Arizona health
3 facilities authority.

4 F. The board may adopt policies that authorize the institutions under
5 its jurisdiction to enter into employment contracts with nontenured employees
6 for periods of more than one year but not more than five years. The policies
7 shall prescribe limitations on the authority of the institutions to enter
8 into employment contracts for periods of more than one year but not more than
9 five years, including the requirement that the board approve the contracts.

10 G. The board may adopt a plan or plans for employee benefits that
11 allow for participation in a cafeteria plan that meets the requirements of
12 the United States internal revenue code of 1986.

13 H. The board may establish a program for the exchange of students
14 between the universities under the jurisdiction of the board and colleges and
15 universities located in the state of Sonora, Mexico. Notwithstanding
16 subsection A, paragraph 5 of this section, the program may provide for
17 in-state tuition at the universities under the jurisdiction of the board for
18 fifty Sonoran students in exchange for similar tuition provisions for up to
19 fifty Arizona students enrolled or seeking enrollment in Sonoran colleges or
20 universities. The board may direct the universities to work in conjunction
21 with the Arizona-Mexico commission to coordinate recruitment and admissions
22 activities.

23 I. Subsection A, paragraph 6, subdivisions (a), (b), (c) and (d) of
24 this section do not apply to fee increases that are set by individual
25 universities and that do not require approval by the Arizona board of regents
26 before the fee increase becomes effective.

27 J. The Arizona board of regents, in collaboration with the
28 universities under its jurisdiction, shall adopt a performance funding
29 model. The performance funding model shall use performance metrics that
30 include the increase in degrees awarded, the increase in completed student
31 credit hours and the increase in externally generated research and public
32 service funding. The funding formula may give added weight to degrees
33 related to science, technology, engineering and mathematics and other
34 high-value degrees that are in short supply or that are essential to this
35 state's long-term economic development strategy.

36 K. The Arizona board of regents shall use the performance funding
37 model adopted pursuant to subsection J of this section in developing and
38 submitting budget requests for the universities under its jurisdiction.

39 L. On or before November 1 of each year, the Arizona board of regents
40 shall submit to the joint legislative budget committee and the governor's
41 office of strategic planning and budgeting a report on university debt and
42 obligations, including:

- 43 1. Long-term notes and obligations.
- 44 2. Certificates of participation and other obligations pursuant to any
45 lease-purchase agreements.

1 3. Revenue bonds.
2 4. Bonds issued pursuant to section 15-1682.03.
3 M. The report issued pursuant to subsection L of this section shall
4 contain, for the most recent fiscal year:
5 1. The aggregate level of outstanding principal and the principal and
6 interest payments, by type of debt or obligation.
7 2. An itemization, by campus and project, of the amount of yearly
8 principal and interest to be paid in the most recent and the next five fiscal
9 years.
10 N. The board may enter into an intergovernmental agreement pursuant to
11 section 15-1747 to manage universities under its jurisdiction subject to the
12 terms of the reciprocity agreement.
13 O. For the purposes of this section, "university debt and obligations"
14 means debt and obligations, the principal and interest of which are paid in
15 whole or in part with university monies.
16 Sec. 2. Section 15-1670, Arizona Revised Statutes, is amended to read:
17 15-1670. Appropriations for university research infrastructure
18 facilities; university deposits; annual report;
19 definition
20 A. ~~In fiscal years 2007-2008 through 2030-2031,~~ The following sums are
21 appropriated ~~each year~~ from the state general fund to ~~the respective~~
22 ~~universities~~ ARIZONA STATE UNIVERSITY for lease-purchase capital financing
23 for research infrastructure projects:
24 ~~1. \$14,472,000 to Arizona state university.~~
25 ~~2. \$14,253,000 to the university of Arizona.~~
26 ~~3. \$5,900,000 to northern Arizona university.~~
27 1. IN FISCAL YEAR 2017-2018, \$14,435,700.
28 2. IN FISCAL YEAR 2018-2019, \$14,435,300.
29 3. IN FISCAL YEAR 2019-2020, \$14,410,600.
30 4. IN FISCAL YEAR 2020-2021, \$14,416,800.
31 5. IN FISCAL YEAR 2021-2022, \$14,410,200.
32 6. IN FISCAL YEAR 2022-2023, \$14,415,900.
33 7. IN FISCAL YEAR 2023-2024, \$14,422,600.
34 8. IN FISCAL YEAR 2024-2025, \$14,414,500.
35 9. IN FISCAL YEAR 2025-2026, \$14,411,000.
36 10. IN FISCAL YEAR 2026-2027, \$14,405,200.
37 11. IN FISCAL YEAR 2027-2028, \$14,390,900.
38 12. IN FISCAL YEAR 2028-2029, \$14,384,300.
39 13. IN FISCAL YEAR 2029-2030, \$14,380,500.
40 14. IN FISCAL YEAR 2030-2031, \$14,382,300.
41 B. THE FOLLOWING SUMS ARE APPROPRIATED FROM THE STATE GENERAL FUND TO
42 THE UNIVERSITY OF ARIZONA FOR LEASE-PURCHASE CAPITAL FINANCING FOR RESEARCH
43 INFRASTRUCTURE PROJECTS:
44 1. IN FISCAL YEAR 2017-2018, \$14,249,300.
45 2. IN FISCAL YEAR 2018-2019, \$14,251,000.

- 1 3. IN FISCAL YEAR 2019-2020, \$14,250,200.
- 2 4. IN FISCAL YEAR 2020-2021, \$14,251,500.
- 3 5. IN FISCAL YEAR 2021-2022, \$14,248,900.
- 4 6. IN FISCAL YEAR 2022-2023, \$14,252,500.
- 5 7. IN FISCAL YEAR 2023-2024, \$14,255,300.
- 6 8. IN FISCAL YEAR 2024-2025, \$14,247,300.
- 7 9. IN FISCAL YEAR 2025-2026, \$14,248,400.
- 8 10. IN FISCAL YEAR 2026-2027, \$14,251,300.
- 9 11. IN FISCAL YEAR 2027-2028, \$14,254,100.
- 10 12. IN FISCAL YEAR 2028-2029, \$14,251,500.
- 11 13. IN FISCAL YEAR 2029-2030, \$14,252,500.
- 12 14. IN FISCAL YEAR 2030-2031, \$14,255,800.

13 C. THE FOLLOWING SUMS ARE APPROPRIATED FROM THE STATE GENERAL FUND TO
 14 NORTHERN ARIZONA UNIVERSITY FOR LEASE-PURCHASE CAPITAL FINANCING FOR RESEARCH
 15 INFRASTRUCTURE PROJECTS:

- 16 1. IN FISCAL YEAR 2017-2018, \$5,381,200.
- 17 2. IN FISCAL YEAR 2018-2019, \$5,321,800.
- 18 3. IN FISCAL YEAR 2019-2020, \$5,426,300.
- 19 4. IN FISCAL YEAR 2020-2021, \$5,427,500.
- 20 5. IN FISCAL YEAR 2021-2022, \$5,431,300.
- 21 6. IN FISCAL YEAR 2022-2023, \$5,432,800.
- 22 7. IN FISCAL YEAR 2023-2024, \$5,434,200.
- 23 8. IN FISCAL YEAR 2024-2025, \$5,429,000.
- 24 9. IN FISCAL YEAR 2025-2026, \$5,429,500.
- 25 10. IN FISCAL YEAR 2026-2027, \$5,432,100.
- 26 11. IN FISCAL YEAR 2027-2028, \$5,438,600.
- 27 12. IN FISCAL YEAR 2028-2029, \$5,433,100.
- 28 13. IN FISCAL YEAR 2029-2030, \$5,436,100.
- 29 14. IN FISCAL YEAR 2030-2031, \$5,432,500.

30 ~~B.~~ D. Lease-purchase financing agreements under ~~subsection A~~
 31 SUBSECTIONS A, B AND C of this section:

- 32 1. Must be entered into before July 1, 2006.
- 33 2. Are subject to the requirements of section 15-1682.01.

34 ~~C.~~ E. The appropriations under ~~subsection A~~ SUBSECTIONS A, B AND C of
 35 this section constitute continuing year-to-year appropriations but do not
 36 constitute an obligation of the legislature or this state to continue the
 37 appropriation in any fiscal year. The annual appropriation is a current
 38 expense of this state in the fiscal year in which it occurs and is not a
 39 general obligation indebtedness of this state or of any university. If the
 40 appropriation is discontinued in any fiscal year, this state and the
 41 university are relieved of any subsequent obligation pursuant to this
 42 section.

43 ~~D.~~ F. ~~Beginning in fiscal year 2007-2008 and~~ In each subsequent
 44 fiscal year for which an appropriation is made pursuant to ~~subsection A~~
 45 SUBSECTIONS A, B AND C of this section, each university shall deposit no

1 later than October 1 with the state treasurer in the state general fund an
2 amount equal to:

3 1. Twenty ~~per-cent~~ PERCENT of the income from licensure and royalty
4 payments received by the university during the preceding fiscal year.

5 2. Twenty-five ~~per-cent~~ PERCENT of the income received by the
6 university during the preceding fiscal year from the sale or transfer of
7 intellectual property developed by the university.

8 3. If a constitutional amendment authorizing ownerships and securities
9 by the Arizona board of regents is approved by the qualified electors voting
10 at a statewide general election, thirty ~~per-cent~~ PERCENT of the income
11 received in the preceding fiscal year resulting from the conveyance of
12 ownership interests in business enterprises acquired to develop technology or
13 intellectual property based in whole or in part on the university's research,
14 technology or intellectual property.

15 ~~E.~~ G. The aggregate amount transferred in each fiscal year for
16 deposit in the state general fund by all universities from all sources listed
17 under subsection ~~D~~ F of this section shall not exceed the aggregate amounts
18 appropriated in that fiscal year under ~~subsection A~~ SUBSECTIONS A, B AND C of
19 this section. If amounts under subsection ~~D~~ F of this section would
20 otherwise exceed the limit prescribed by this subsection, the deposited
21 amounts shall be proportionately reduced for each university.

22 ~~F.~~ H. On or before October 1 of each year, each university shall
23 report to the joint legislative budget committee the total amount of income
24 the university received in the preceding fiscal year from each category of
25 income that is subject to deposit pursuant to subsection ~~D~~ F of this
26 section.

27 ~~G.~~ I. For the purposes of this section, "research infrastructure"
28 means installations and facilities for continuance and growth of scientific
29 and technological research activities at the university.

30 Sec. 3. Section 35-146, Arizona Revised Statutes, is amended to read:

31 35-146. Deposit of receipts by budget units

32 A. All monies received by any officer or employee of any budget unit
33 shall be promptly remitted to the state treasurer, and no monies shall be
34 held, used or deposited in any personal or special bank account temporarily
35 or otherwise by any agent or employee except as expressly provided by this
36 chapter.

37 B. All monies received by the state treasurer shall be credited to the
38 state general fund, unless otherwise prescribed by law.

39 ~~C. Upon receipt, the amount of tuition, registration fees and other~~
40 ~~revenues included in the operating budget adopted by the board for each~~
41 ~~university as prescribed in section 15-1626, subsection A, paragraph 13 shall~~
42 ~~be promptly remitted to the state treasurer.~~

1 Sec. 4. Financial aid trust fund: required state match:
2 reduction

3 Notwithstanding section 15-1642, subsection C, Arizona Revised
4 Statutes, for fiscal year 2016-2017, each dollar raised pursuant to the
5 surcharge on student registration fees assessed pursuant to section 15-1642,
6 subsection A, Arizona Revised Statutes, may be matched by less than two
7 dollars appropriated by the legislature.

8 Sec. 5. Community college districts: state aid for science,
9 technology, engineering and mathematics and workforce
10 programs

11 Notwithstanding section 15-1464, Arizona Revised Statutes, state aid
12 for science, technology, engineering and mathematics and workforce programs
13 for community college districts for fiscal year 2016-2017 is as specified in
14 the general appropriation act.

15 Sec. 6. Effective date

16 Sections 15-1626 and 35-146, Arizona Revised Statutes, as amended by
17 this act, are effective from and after June 30, 2018.